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0521520843 - The Dynamics of Socio-Economic Development: An Introduction

Adam Szirmai

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## The Dynamics of Socio-Economic Development

### An Introduction

Why are poor countries poor and rich countries rich? How are wealth and poverty related to changes in nutrition, health, life expectancy, education, population growth and politics? This modern, non-technical introduction to development studies explores the dynamics of socio-economic development and stagnation in developing countries. Taking a quantitative and comparative approach to contemporary debates within their broader context, Szirmai examines historical, institutional, demographic, sociological, political and cultural factors. Key chapters focus on economic growth, technological change, industrialisation and agricultural development, and consider social dimensions such as population growth, health and education. Each chapter contains comparative statistics on trends from a sample of twenty-nine developing countries. This rich statistical database allows students to strengthen their understanding of comparative development experiences. Assuming no prior knowledge of economics, the book is suited for use in interdisciplinary development studies programmes as well as economics courses, and will also interest practitioners pursuing careers in developing countries.

ADAM SZIRMAI is Professor of Technology and Development Studies at Eindhoven University of Technology, the Netherlands, and one of the founders of the Eindhoven Centre for Innovation Studies.

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## Preface

The aim of this book is to provide a general introduction to the dynamics of socio-economic development and to the study of the problems of developing countries. It is a reflection of multidisciplinary courses on 'development', which I have been teaching since 1987 at the University of Groningen and the Eindhoven University of Technology. The book was written for students of universities and other institutions of higher education, who encounter the problems of developing countries in the course of their own disciplinary studies and who are in need of a general introduction to this field. It is also intended for people pursuing a professional career in developing countries and readers with a general interest in development. The text can be read as an introduction by students with no prior knowledge of development. It also can be used at a more advanced level as a handbook, providing an overview of current theoretical and empirical debates and controversies in the field of development studies. The book provides non-economists with a non-technical introduction to economic perspectives on development, while introducing economists to a broader socio-economic view of development.

The central issue in development, as approached in this book, lies in low levels of per capita income and low standards of living among the mass of the population in the so-called developing countries. The key elements in the book are trends in per capita income and changes in standards of living and welfare, and the factors that affect economic development or economic stagnation in the long term. The core of development is thus defined in economic terms. However, the explanatory factors are not limited to economic ones. Historical, institutional, cultural, demographic, political, social and ecological factors are all of great importance for the analysis of economic development. They will receive ample attention in the book.

It needs to be emphasised that the concept of development is much broader than that of economic development alone. Development involves a wide range of changes in a variety of social indicators such as health, education, technology or life expectancy, which are directly or indirectly linked to economic changes, but which need to be studied in their own right. This is reflected in the title of the book, which refers to socio-economic development.

The structure of the book takes the key factors distinguished in economic theories of growth – labour, capital and land and technological change – as its main point of departure. However, in line with the interdisciplinary nature of the book, these factors are interpreted in broad fashion. Technological change

lies at the heart of growth and economic development. Two main issues discussed in chapter 4 are the role of technological change in development, and the consequences of accelerating technological change for developing countries. The treatment of the primary production factor 'labour' is couched in terms of a more general discussion of demographic and human factors in development. These include population growth and the interrelationships between population growth and economic development (Chapter 5), topics such as health, disease, mortality and life expectancy (Chapter 6) and education, human capital and literacy (Chapter 7). I argue that health and education are important as independent aspects of development in their own right. But the state of health and levels of education also influence the quality of the labour force, the productivity of labour and the socio-economic dynamics of a country.

Modern economic growth is historically associated with massive capital accumulation in the industrial sector and a structural transformation of agrarian societies into societies in which industry and services become more and more important. Structural change and the shift to industry are discussed in Chapter 8, which also deals with the role of primary exports in these transformations. Capital accumulation is discussed in Chapter 9 in the context of the overall process of industrialisation. This chapter also pays attention to the different industrialisation strategies that developing countries have followed over time, including import substitution, balanced growth, labour intensive export orientation, promotion of the informal sector and technological upgrading.

The discussion of the production factor 'land' is broadened to include the whole issue of agricultural and rural development. The role of the agricultural sector in the wider process of development is examined in Chapter 8, which makes a case for the continued importance of agriculture in developing countries. In Chapter 10, the development of agricultural production and productivity is discussed against the background of social changes in rural communities and rural areas. This chapter also presents data on trends in food consumption and an overview of the recent debates on modern biotechnology.

The discussion of economic development in Chapters 4 to 10, is preceded and followed by chapters which place development in an historical and international perspective. Chapter 2 focuses on the development of the international economic and political order since the fifteenth century. Chapter 3 deals with the theories and empirics of growth and stagnation. The approach in these chapters is historical and comparative. Chapter 11 focuses on the political aspects of development and the interrelations between state formation, democratic rule and economic growth. Chapter 12 introduces the cultural context of development and discusses the dynamic relationships between cultural change and economic development. Changes in the international political and economic order since World War II are reviewed in Chapter 13. In this chapter, attention is paid to the evolution of international institutions and organisations on the one hand, and the implications of the international division of labour and free trade for developing countries on the other. This chapter includes a discussion of developing country debt, the emergence of structural

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adjustment policies and the recent debates on globalisation and the architecture of the international financial system. The final chapter (Chapter 14) focuses on the role of foreign aid in development. Foreign aid is seen as part of international resource flows. It is discussed in the context of theories of development and the many different factors influencing development in the long run. Every chapter ends with questions for review and suggestions for further readings.

Empirical data have an important place in this book. It is my conviction that a serious debate of development issues should be grounded in sound empirical information. Throughout the book, I present empirical data on long-run economic, social and political trends for a sample of twenty-nine developing countries, representing Asia, Latin America and Africa. These twenty-nine countries represent more than three-quarters of the total population of developing countries in the year 2000. The same set of countries is used throughout the book, providing an empirical basis for the discussion of theories, patterns and trends in development. The book contains over seventy tables, usually covering the period from 1950 to the present and sometimes going back to the pre-war period. The country data are supplemented by aggregate statistics for different regions and continents.

This book is accompanied by a website, which presents the detailed worksheets underlying the tables in the book. These worksheets show how the tables in the book have been put together from a variety of sources. The address of this website is: <http://www.dynamicsofdevelopment.com>. We hope this website will serve as an important didactic tool for the empirical study of development. It will introduce students to the increasing wealth of international comparative statistics on all dimensions of development. More and more data are accessible in electronic form on websites of research institutions and international organisations. Our website will provide links and references to the most important international sources of data on development, serving as a structured portal for statistics on development. A second function of the website is to foster a more critical attitude towards the use of statistics. Statistical tables are constructs, which depend on assumptions, models, concepts, decisions about what data to use, how to combine data from different sources, what years to compare, how to link data for different years in a consistent fashion and so forth. It is important to be clear about how the data have been collected and organised, what assumptions and choices have been made and what sources have been used. If such information is not provided – as is too often the case – the statistics cannot be trusted. Examination of the worksheets on the website will help readers to formulate their own conclusions, which may well differ from those of this author. They will come to understand that tables should be seen as working hypotheses, rather than final statements. Finally, the website allows us to provide more detail than is possible in the tables in the book. It will also allow for updating on a continuous basis, so the statistics remain up to date.

Despite its considerable length this book has no pretensions to completeness. The attempt to synthesise a very wide range of subjects in a single book will

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inevitably leave specialists on different topics unsatisfied. Also, the book is written as an introduction to the ongoing debate on development, rather than a final summary of our knowledge of all different aspects of it. In the choice of subjects, the emphasis has been on the long-run dynamics of development and the factors that play a role in these dynamics.

This book has a long history. A first version was published in Dutch in 1993. An English translation was published in 1997 by Prentice Hall under the title *Social and Economic Development: Trends. Problems Policies*. However, both the real world and our thinking about development are changing so rapidly that a mere revision was not sufficient. All chapters have been fundamentally rewritten and expanded, the analysis has changed in the light of new insights, new chapters have been added on technology and culture, and new statistics and materials have been incorporated. This has resulted in what amounts to a new textbook, under a new title and with a new publisher. I am grateful to Cambridge University Press for allowing me to undertake this task.

I could not have written this book without the support of numerous colleagues and ex-colleagues. They generously let me profit from their knowledge of and insights into the various aspects of development. I have made extensive use of their advice, their publications, and their empirical research. I have both learned from and enjoyed years of fruitful and intensive discussions with them. I would like to thank the following persons for their advice and stimulating comments on previous drafts of the manuscript: Bart van Ark, Carolina Castaldi, Peter Druifjen, Pierre van der Eng, Jacob de Haan, Hal Hill, Niels Hermes, Jojo Jacob, Hans-Paul Klijnsma, Jos Koetsier, Remco Kouwenhoven, Paul Lapperre, Robert Lensink, Angus Maddison, Kees van der Meer, Nanno Mulder, Alessandro Nuvolari, Howard Pack, Dirk Pilat, Gé Prince, Henny Romijn, Johan Schot, Jan Stel, Ida Terluin, Marcel Timmer, Harry van Vianen, Geert Verbong and Bart Verspagen. As always, the responsibility for the book and its shortcomings rests with the author alone. A special word of thanks is due to Paul Lapperre for his help designing the cover and selecting the illustrations.

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Adam Szirmai  
Eindhoven

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## Abbreviations

ACER	age-specific enrolment rate
ACP	Asian, Caribbean and Pacific Countries
ADB	Asian Development Bank
ASEAN	Association of South East Asian Nations
BMR	basal metabolic rate
CFCs	chlorofluorocarbons
CGIAR	Consultative Group on International Agricultural Research
CIF	cost, insurance and freight included
CIMMYT	Centro Internacional de Mejoramiento de Maiz y Trigo (International Maize and Wheat Improvement Centre)
CMEA	Council for Mutual Economic Assistance
CPI	Corruption Perceptions Index
DAC	Development Assistance Committee (OECD)
DALYs	disability-adjusted life years
DRS	Debt Reporting System (World Bank)
ECLA	United Nations Economic Commission for Latin America
ECOSOC	Economic and Social Council of the UN
EEC	European Economic Community
EC	European Community
ECLA	United Nations Commission for Latin America
ESAF	Enhanced Structural Fund Facility (IMF)
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
EU	European Union
EWLP	Experimental World Literacy Programme
FAO	United Nations Food and Agriculture Organisation
FDI	foreign direct investment
FLN	Front de la libération nationale (national liberation front, Algeria)
fob	free on board
GATT	General Agreement on Tariffs and Trade
GDFP	Geographical Distribution of Financial Flows to Developing Countries
GDP	gross domestic product
GFCF	gross fixed capital formation
GGDC	Groningen Growth and Development Centre
GNP	gross national product

GSP	Generalised System of Preferences
HALE	healthy life expectancy
HDR	Human Development Report
HIPCs	heavily indebted poor countries
IADB	Inter-American Development Bank
IBPGR	International Board for Plant Genetic Resources
IBRD	International Bank for Reconstruction and Development (World Bank)
ICC	International Criminal Court
ICRASAT	Research Institute for Crops in the Semi-arid Tropics
ICT	Information and Communication Technology
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
IPPC	Intergovernmental Panel on Climate Change
IRRI	International Rice Research Institute
ISI	import-substituting industrialisation
ISIC	International Standard Industrial Classification
ITO	International Trade Organisation
LAFTA	Latin American Free Trade Association
LDCs	least developed countries
LEISA	low external input and sustainable agriculture
LMICs	lower-middle-income countries
MICs	moderately indebted countries/middle-income countries
MITI	Ministry of Industry and Trade (Japan)
MNCs	multinational companies
MPS	material product system
N ach	need for achievement
NAFTA	North American Free Trade Association
NATO	North Atlantic Treaty Organisation
NFDI	net foreign direct investment
NGO	Non Governmental Organisation
NICs	newly industrialising countries
NIEO	New International Economic Order
NTod	net transfers on debt
OA	Other Assistance
OUA	Organisation of African Unity
OAS	Organisation of American States
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OEM	original equipment manufacturing
OFID	OPEC Fund for International Development
OPEC	Organisation of Petroleum Exporting Countries

PPPs	purchasing power parities
PRI	Institutional Revolutionary Party
PRS	poverty reduction strategy
QUALYs	quality-adjusted life years
RAUI	'risk aversion causes underinvestment'
R&D	research and development
SAL	Structural Adjustment Loan (World Bank)
SAF	Structural Adjustment Facility (IMF)
SECAL	Sectoral Adjustment Loan (World Bank)
SICs	semi-industrialised countries: or severely indebted countries
SNA	System of National Accounts
TNCs	transnational companies
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
TVEs	township and village enterprises
UIA	Union of International Associations
UMICs	upper-middle-income-countries
UN	United Nations
UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
UNEPTA	United Nations Extended Program of Technical Assistance
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNICEF	United Nations Children Fund
UNIDO	United Nations Industrial Development Organisation
UNITAR	United Nations Institute for Training and Research
UNPF	United Nations Population Fund
USAID	United States Agency for International Development
USSR	Union of Socialist Soviet Republics
WB	World Bank (see IBRD)
WDI	World Development Indicators (World Bank)
WDR	World Development Report (World Bank)
WDT	World Debt Tables (World Bank)
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organisation
WRI	World Resources Institute
WT	World Tables (World Bank)
WTO	World Trade Organisation
WWI	World Watch Institute

## Acknowledgements

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